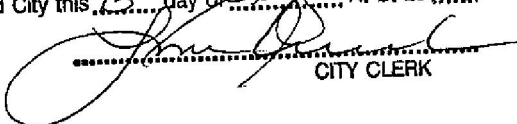


I, LINDA A. KELLEHER, City Clerk of the City
of Reading, Pa., do hereby certify, that the fore-
going is a true and correct copy of the original
Ordinance passed by the Council of the City of
Reading, on the 11th day of August
A. D. 2008. Witness my hand and seal of the
said City this 13th day of August, A. D. 2008.


CITY CLERK

CITY OF READING
BERKS COUNTY, PENNSYLVANIA

ORDINANCE 52-2008
Enacted August 11, 2008

\$14,000,000
FEDERALLY-TAXABLE GENERAL OBLIGATION VARIABLE RATE DEMAND BONDS
SERIES E OF 2008

STEVENS & LEE, BOND COUNSEL
111 NORTH SIXTH STREET
READING, PENNSYLVANIA 19601
(610) 478-2000
(610) 376-5610 (FAX)

Table of Contents

	<u>Page</u>
SECTION 1: DEFINITIONS.....	3
Section 1.01 Definitions	3
SECTION 2: ISSUANCE, SALE AND DELIVERY OF BONDS; PLEDGE OF TAXING POWER	10
Section 2.01 Bonds Authorized; Nonelectoral Debt.....	10
Section 2.02 Private Sale by Negotiation	10
Section 2.03 Project Description; Cost Estimates and Useful Life	10
Section 2.04 Refunding of Refunded 2005 Notes; Escrow Agreement	10
Section 2.05 Execution, Issuance and Delivery Authorized.....	11
Section 2.06 Execution of Bonds.....	11
Section 2.07 Acceptance of Proposal	11
Section 2.08 Pledge of Taxing Power.....	12
Section 2.09 [Reserved].....	12
Section 2.10 Department Filing.....	12
Section 2.11 Official Statement.....	13
Section 2.12 Necessary Further Action	13
Section 2.13 Letter of Credit	13
SECTION 3: THE BONDS	13
Section 3.01 Form and Terms of Bonds	13
Section 3.02 Weekly Rate.....	15
Section 3.03 Term Rate	16
Section 3.04 Bond Register; Status of Registered Owners.....	17
Section 3.05 Registration, Transfer and Exchange of Bonds; Mutilated, Lost, Wrongfully Taken or Destroyed Bonds; Cancellation of Bonds	17
Section 3.06 Temporary Bonds	19
Section 3.07 Bond Identification Numbers and Legends	19
Section 3.08 Authentication.....	19
Section 3.09 Book-Entry System for Bonds.....	19
Section 3.10 Conversion of Interest Mode	21
Section 3.11 Preparation, Execution, Authentication and Delivery of Term Rate Bonds	23
SECTION 4: SINKING FUND AND OTHER FUNDS	23
Section 4.01 Creation of Funds and Accounts.....	23
Section 4.02 The Sinking Fund	23
Section 4.03 The General Account and the Letter of Credit Debt Service Account	24
Section 4.04 [Reserved].....	25
Section 4.05 The Letter of Credit Purchase Account	25
Section 4.06 Moneys to Be Held for All Bondholders, with Certain Exceptions	25
Section 4.07 Investment or Deposit of Funds	26

Table of Contents
(continued)

	<u>Page</u>
Section 4.08 Notification of Insufficient Funds	26
SECTION 5: REDEMPTION AND TENDER OF BONDS.....	26
Section 5.01 Bonds Subject to Redemption.	26
Section 5.02 Notice and Effective Date of Redemption, Redemption in Part, Payment of Redeemed Bonds.....	29
Section 5.03 Purchase on Demand of Holder During Weekly Mode.....	31
Section 5.04 Mandatory Purchase on Conversion Date and at End of Term Rate Period; Upon Expiration of Letter of Credit; Upon Issuance of Alternate Letter of Credit; and Upon Direction of Bank.....	33
Section 5.05 [Reserved].....	35
Section 5.06 Remarketing.....	35
Section 5.07 Drawings on Letter of Credit for Purchase of Bonds	37
Section 5.08 Bonds Purchased with Proceeds of Letter of Credit.....	37
Section 5.09 Inadequate Funds for Purchases	38
Section 5.10 Letter of Credit.	38
Section 5.11 Other Credit Enhancement; No Credit Enhancement.....	41
Section 5.12 Reimbursement Agreement and Paying Agent Agreement Authorized.....	41
Section 5.13 Defeasance of Bonds	41
SECTION 6: THE REMARKETING AGENT	42
Section 6.01 The Remarketing Agent.....	42
Section 6.02 Remarketing Agreement Authorized.....	43
Section 6.03 Remarketing Agent Qualifications, Resignation and Removal.....	43
SECTION 7: CONTINUING DISCLOSURE; MISCELLANEOUS	44
Section 7.01 Continuing Disclosure	44
Section 7.02 Notices.....	44
Section 7.03 Designated Offices.....	46
Section 7.04 Mandatory Provisions of Act.....	46
Section 7.05 Contractual Obligation.....	46
Section 7.06 Severability.....	46
Section 7.07 Supplemental Ordinances	46
Section 7.08 Amendment of Letter of Credit	47
Section 7.09 Exclusive Rights	47
Section 7.10 Appointments.....	47
Section 7.11 Effectiveness of Ordinance.....	47
Section 7.12 Repeal of Inconsistent Ordinances	47
Section 7.13 Governing Law	47
Section 7.14 Time of Day	47

CITY OF READING
BERKS COUNTY, PENNSYLVANIA

ORDINANCE
Enacted August 11, 2008

AN ORDINANCE OF THE CITY OF READING, BERKS COUNTY, PENNSYLVANIA, SETTING FORTH ITS INTENT TO ISSUE A SERIES OF GENERAL OBLIGATION BONDS, SERIES E OF 2008 OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED FOURTEEN MILLION DOLLARS (\$14,000,000) PURSUANT TO THE ACT OF THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, PA.C.S. 53, CHAPTERS 80-82, AS AMENDED, KNOWN AS THE LOCAL GOVERNMENT UNIT DEBT ACT (THE "ACT"); FINDING THAT A PRIVATE SALE BY NEGOTIATION IS IN THE BEST FINANCIAL INTERESTS OF THE CITY; DETERMINING THAT SUCH BONDS SHALL EVIDENCE NONELECTORAL DEBT OF THE CITY; SPECIFYING THAT SUCH INDEBTEDNESS BE INCURRED TO PROVIDE FUNDS FOR A CERTAIN PROJECT OF THE CITY WHICH INCLUDES, AMONG OTHER THINGS: (1) THE ADVANCE REFUNDING OF A PORTION OF THE CITY'S GENERAL OBLIGATION NOTES, SERIES OF 2005; AND (2) THE PAYMENT OF THE COSTS AND EXPENSES OF ISSUANCE OF THE BONDS; SETTING FORTH THE REASONABLE ESTIMATED REMAINING USEFUL LIVES OF THE CAPITAL PROJECTS THAT ARE TO BE REFINANCED BY THE BONDS; ACCEPTING A PROPOSAL FOR THE PURCHASE OF SUCH BONDS AT PRIVATE SALE BY NEGOTIATION; PROVIDING THAT SUCH BONDS, WHEN ISSUED, SHALL CONSTITUTE A GENERAL OBLIGATION OF THE CITY; FIXING THE DENOMINATIONS, DATED DATE, INTEREST PAYMENT DATES, MATURITY DATES, INTEREST RATES, REDEMPTION PROVISIONS, MANDATORY REDEMPTION PROVISIONS (IF APPLICABLE), TENDER PROVISIONS AND PLACE OF PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH BONDS; AUTHORIZING SPECIFIED OFFICERS OF THE CITY TO CONTRACT WITH THE PAYING AGENT FOR ITS SERVICES IN CONNECTION WITH THE BONDS; SETTING FORTH THE SUBSTANTIAL FORM OF THE BONDS EVIDENCING THE DEBT; AUTHORIZING EXECUTION AND ATTESTATION OF SUCH BONDS; PROVIDING COVENANTS RELATED TO DEBT SERVICE APPLICABLE TO SUCH BONDS TO THE EXTENT REQUIRED BY THE ACT AND PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THE CITY IN SUPPORT THEREOF; CREATING A SINKING FUND IN CONNECTION WITH SUCH BONDS, TO THE EXTENT REQUIRED BY THE ACT; DESIGNATING THE PAYING AGENT TO BE THE SINKING FUND DEPOSITARY; PROVIDING A COVENANT TO INSURE PROMPT AND FULL PAYMENT FOR SUCH BONDS WHEN DUE; SETTING FORTH REGISTRATION AND TRANSFER PROVISIONS WITH RESPECT TO SUCH BONDS; AUTHORIZING THE EXECUTION OF AN ESCROW AGREEMENT BY SPECIFIED OFFICERS OF THE CITY (IF APPLICABLE) AND THE PURCHASE

OF CERTAIN U.S. TREASURY OBLIGATIONS OR ANY OTHER SECURITIES OR INVESTMENTS IN CONNECTION WITH THE PROJECT; AUTHORIZING AND DIRECTING SPECIFIED OFFICERS OF THE CITY TO DO, TO TAKE AND TO PERFORM CERTAIN SPECIFIED, REQUIRED, NECESSARY OR APPROPRIATE ACTS TO EFFECT THE ISSUANCE OF THE BONDS, INCLUDING, WITHOUT LIMITATION, THE PREPARATION OF A DEBT STATEMENT AND BORROWING BASE CERTIFICATE, AND THE FILING OF SPECIFIED DOCUMENTS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, ALL AS REQUIRED BY THE ACT; DECLARING THAT THE DEBT TO BE EVIDENCED BY SUCH BONDS, TOGETHER WITH ALL OTHER INDEBTEDNESS OF THE CITY, WILL NOT BE IN EXCESS OF ANY APPLICABLE LIMITATION IMPOSED BY THE ACT; AUTHORIZING PROPER OFFICERS OF THE CITY TO DELIVER THE BONDS UPON THE APPROVAL OF THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; AUTHORIZING THE EXECUTION OF A REIMBURSEMENT AGREEMENT RELATING TO THE LETTER OF CREDIT ISSUED IN SUPPORT OF THE BONDS AND COVENANTING TO COMPLY WITH THE PROVISIONS THEREOF; SETTING FORTH THE PROVISIONS, IF ANY, REQUIRED TO BE INCLUDED BY THE LETTER OF CREDIT PROVIDER; AUTHORIZING THE EXECUTION OF A CONTINUING DISCLOSURE CERTIFICATE AND COVENANTING TO COMPLY WITH THE PROVISIONS THEREOF; PROVIDING WHEN THIS ORDINANCE SHALL BECOME EFFECTIVE; PROVIDING FOR SEVERABILITY OF PROVISIONS; AND REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES INSOFAR AS THE SAME SHALL BE INCONSISTENT HERewith.

RECITALS

WHEREAS, the City of Reading, Berks County, Pennsylvania (the "City"), is a city of the third class of the Commonwealth of Pennsylvania (the "Commonwealth"); and

WHEREAS, the City, in contemplation of the issuance and sale of its Federally-Taxable General Obligation Variable Rate Demand Bonds, Series E of 2008 in an aggregate principal amount not to exceed Fourteen Million Dollars (\$14,000,000) to provide funds for and towards a certain project of the City, has determined that the Bonds (hereinafter defined) shall be offered for sale at a private sale by negotiation pursuant to the provisions of the Local Government Unit Debt Act of the Commonwealth, as reenacted and amended (the "Act") and has determined that a private sale by negotiation is in the best financial interests of the City; and

WHEREAS, the Council of the City (the "Council") has determined that such Bonds will be issued as a series of bonds and designated generally as "City of Reading, Berks County, Pennsylvania, Federally-Taxable General Obligation Variable Rate Demand Bonds, Series E of 2008" (the "Bonds"); and

WHEREAS, the Bonds shall be issued in the aggregate principal amount not to exceed Fourteen Million Dollars (\$14,000,000); and

WHEREAS, the City has heretofore issued its General Obligation Notes, Series of 2005 in the aggregate principal amount of \$15,800,000, of which \$14,690,000 remains outstanding (the "2005 Notes"); and

WHEREAS, the City has determined to refund a portion of the 2005 Notes as more completely described on Schedule 1 attached hereto (the "Refunded 2005 Notes") for the purpose of substituting bonds for notes; and

WHEREAS, a portion of the proceeds of the Bonds will be deposited in escrow pursuant to the terms of an escrow agreement (the "Escrow Agreement"), to be executed by and between the City and an escrow agent named therein (the "Escrow Agent"), such that the proceeds of the Bonds, together with interest to be earned thereon (if any), will be held by the Escrow Agent in a separate escrow account and irrevocably pledged for the redemption of the Refunded 2005 Notes, all as shall be set forth more fully in the Escrow Agreement; and

WHEREAS, the Bonds which are being issued to refund the Refunded 2005 Notes will not be outstanding through a maturity date that could not have been included in the issue of the 2005 Notes; and

WHEREAS, the Council has determined to accept the proposal (the "Purchase Proposal") of Wachovia Bank, National Association, Philadelphia, Pennsylvania (the "Purchaser"), for the purchase of the Bonds, such sale to be conditioned upon, among other things, the receipt of approval from the Department of Community and Economic Development of the Commonwealth (the "Department") relating to the incurring of the indebtedness to be evidenced by the Bonds; and

WHEREAS, the Council has determined to and desires to accept the proposal of the Purchaser and to incur nonelectoral debt in the aggregate principal amount not to exceed Fourteen Million Dollars (\$14,000,000) to fund a certain project (hereinafter described) of the City pursuant to the provisions of the Act.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF READING, BERKS COUNTY, PENNSYLVANIA HEREBY ORDAINS AS FOLLOWS:

SECTION 1: DEFINITIONS

Section 1.01 Definitions. In addition to the terms defined in the foregoing recitals, the following terms and phrases shall be defined as follows for the purposes of this Ordinance:

"Alternate Letter of Credit" means an irrevocable letter of credit authorizing drawings thereunder by the Paying Agent, issued by a national banking association, a bank, a trust company or other financial institution as the Bank, and satisfying the requirements of Section 5.10.

"Authorized Officer of the City" shall mean any officer of the City and, with respect to any particular act or document, (i) any person authorized by a Certified City Resolution, a copy of which has been delivered to the Paying Agent, or (ii) any person designated to act on behalf of the City by the Mayor of the City, as evidenced by a written certificate furnished to the Paying Agent containing the specimen signature of such person and signed on behalf of Council by the

City Clerk of the City, under its official seal. Such Resolution or certificate may designate more than one person, each of whom shall be entitled to perform all duties of the Authorized Officer of the City.

“Available Moneys” means (i) proceeds of a drawing under the Letter of Credit and (ii) any moneys paid to the Paying Agent and with respect to which the Paying Agent has received an opinion of nationally recognized counsel experienced in bankruptcy matters and acceptable to the Paying Agent and Moody’s to the effect that the use of such moneys to pay principal of, premium (if any) on or interest on the Bonds, as applicable, will not constitute an avoidable transfer under Section 547 of the United States Bankruptcy Code in the event of a bankruptcy case under the United States Bankruptcy Code by the City, as debtor; provided that when used with respect to payment of amounts due in respect of any Purchased Bonds or any payments due at any time when a Letter of Credit is not held by the Paying Agent, “Available Moneys” means any moneys held by the Paying Agent and available for such payment pursuant to the terms of this Ordinance except for moneys drawn under the Letter of Credit.

“Bank” means, initially, Wachovia Bank, National Association, a national banking association, as issuer of the Letter of Credit, and its successors and assigns in that capacity and, in the event an Alternate Letter of Credit is outstanding, the issuer of the Alternate Letter of Credit.

“Bond Counsel” shall mean an attorney-at-law or a firm of attorneys of nationally or regionally recognized standing in matters pertaining to bonds (including the tax status of interest thereon) issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Bond Register” or “Register” shall mean the books and records (whether in written or electronic form) maintained by the Bond Registrar for the purpose of recording ownership, transfer or exchange of the Bonds.

“Bond Registrar” shall mean, initially, the Paying Agent, acting in the capacity of registrar for the Bonds and if, at any time, the City shall appoint another entity with the qualifications set forth herein to serve as successor bond registrar for the Bonds, “Bond Registrar” shall mean the Person so acting in the capacity of registrar for the Bonds.

“Bond Service” means, for any period or payable at any time, the principal of, premium, if any, on and interest on the Bonds for that period or payable at that time whether due on an Interest Payment Date, at maturity or upon acceleration or redemption.

“Bondholder Tender Notice” means a written notice meeting the requirements of Section 5.03.

“Bondowner” or “Bondholder” or “Holder” or “Owner” shall mean the registered owner of any Bond.

“Business Day” means any day other than a Saturday or Sunday or a day on which banks located in Philadelphia, Pennsylvania, New York, New York, Charlotte, North Carolina or any other city in which the Designated Office or Payment Office of the Paying Agent or the office of

the Bank at which drawing documents are required to be presented under the Letter of Credit is located are required or authorized to close or on which The New York Stock Exchange is closed.

“Certified City Resolution” shall mean a copy of a Resolution, Resolutions, Ordinance or Ordinances certified by the City Clerk of the City, under its official seal, to have been duly adopted by the Council and to be in full force and effect on the date of such certification.

“City Purchase Account” means the special trust account so designated and established by the Paying Agent pursuant to Section 5.07.

“Conversion Date” means any Interest Payment Date on which the Rate Mode of the Bonds is converted to another Rate Mode pursuant to Section 3.10.

“Delivery Office” of the Paying Agent means, with respect to Bonds held in certificated form, the office where such Bonds tendered for purchase may be delivered to the Paying Agent, which office may be the office of an agent of the Paying Agent for such purpose and shall be designated in Section 7.02 or another office of the Paying Agent or its agent so designated in a separate writing by the Paying Agent to the City, the Remarketing Agent and the Bank.

“Designated Office” shall mean, with respect to the Paying Agent, the Bond Registrar, the Bank and the Remarketing Agent, the office of such entity located at the address specified in Section 7.02 hereof, or such other office of such entity (or its successor) as such entity (or its successor) shall from time to time designate by written notice, as required by Section 7.02 hereof, as its office to which notices, bonds, other instruments or money required by this Ordinance to be delivered to it shall be delivered or at which actions required by this Ordinance to be taken at its Designated Office are to be taken.

“DTC” means The Depository Trust Company, New York, New York and its successors and assigns.

“Eligible Account” means an account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has a Standard & Poor's short-term debt rating of at least “A-2” (or, if no short-term debt rating, a long-term debt rating of “BBB+”); or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit, which, in either case, has corporate trust powers and is acting in its fiduciary capacity. In the event that an account required to be an “Eligible Account” no longer complies with the requirement, the trustee shall promptly (and, in any case, within not more than 30 calendar days) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

“Expiration Date” means the stated expiration date of the Letter of Credit, as such date may be extended from time to time by the Bank.

“General Account” means the account so designated which is established pursuant to Section 4.03.

"Interest Payment Date" means (i) with respect to Weekly Rate interest, the first Business Day of each calendar month commencing October 1, 2008 and (ii) with respect to Term Rate interest, each Semiannual Date.

"Letter of Credit" means the irrevocable letter of credit issued by the Bank to the Paying Agent on the Series Issue Date and any Alternate Letter of Credit, under which the Paying Agent is authorized, subject to the terms and conditions thereof, to draw up to (a) an amount equal to the principal amount of the outstanding Bonds (i) to enable the Paying Agent to pay the principal amount of the Bonds when due at maturity or upon redemption and (ii) to enable the Paying Agent to pay the portion of the purchase price of Bonds tendered to it and not remarketed corresponding to the principal amount of such Bonds, plus (b) while the Bonds bear interest at a Weekly Rate, an amount equal to interest to accrue at the Maximum Rate on the outstanding Bonds for 34 days and, while the Bonds bear interest at a Term Rate, an amount equal to interest to accrue at a rate not less than the Term Rate then in effect on the outstanding Bonds for 200 days (i) to enable the Paying Agent to pay interest on the Bonds when due and (ii) to enable the Paying Agent to pay the portion of the purchase price of Bonds tendered to it and not remarketed corresponding to the accrued interest on such Bonds, as the same may be amended, transferred, reissued or extended in accordance with this Ordinance, plus (c) while the Bonds bear interest at a Term Rate, an amount equal to the sum of the optional redemption premium (if any) and supplemental premium (if any) which would become payable on the Bonds upon mandatory redemption if such irrevocable letter of credit or Alternate Letter of Credit were not extended beyond the Expiration Date set forth therein.

"Letter of Credit Debt Service Account" means the account so designated and established pursuant to Section 4.03 in the Sinking Fund.

"Letter of Credit Purchase Account" means the special trust account so designated and established pursuant to Section 5.07.

"LIBOR" shall mean (i) a rate per annum (rounded upward, if necessary, to the nearest 1/32 of one percent) equal to the composite London Interbank Offered Rate which appears on the Reuters Screen LIBOR01 Page (or any successor page) as of 11:00 a.m. London time on the day that is two (2) London Banking Days preceding the first day of such LIBOR Period (or if not reported thereon, then as designated in writing by the County to the Paying Agent and Remarketing Agent from another recognized source or interbank quotation).

"Maximum Rate" means (i) with respect to Weekly Rate interest, 12% per annum, (ii) with respect to Term Rate interest, 12% per annum, and (iii) with respect to Purchased Bonds, 25% per annum.

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns.

"No Call Period" means the period of time referred to in the column under that heading in the table in Section 5.01(d).

"Nominal Term Rate Period" means, with respect to a Term Mode, a period of two or more consecutive Semiannual Periods (expressed in years and half years) determined pursuant to Sections 3.03 and 3.10.

"Official Statement" shall mean the Official Statement of the City relating to the initial offering and sale of the Bonds.

"Ordinance" shall mean this Ordinance as amended or supplemented from time to time by all Ordinances supplemental hereto.

"Paying Agent" shall mean U.S. Bank National Association, or such other paying agent, which shall be a bank or bank and trust company authorized to do business in the Commonwealth, as may be selected by the Mayor of the City, and any successor thereto, acting in the capacity of paying agent and sinking fund depository with respect to the Bonds or, if the City at any time shall have appointed another bank, bank and trust company or national bank to serve as successor paying agent and sinking fund depository with respect to the Bonds, the successor so appointed and any successor thereto.

"Paying Agent Agreement" shall mean the Sinking Fund Depository/Paying Agent Agreement dated on or before the Series Issue Date between the City and the Paying Agent, relating to the Bonds.

"Payment Office" of the Paying Agent means the office from which payments of principal, premium (if any), interest and tender purchase price are made and where Bonds may be surrendered for payment of upon redemption or at maturity, which office may be the office of an agent of the Paying Agent for such purpose and shall be the office so designated in Section 7.02 or another office of the Paying Agent or its agent so designated in a separate writing by the Paying Agent to the City, the Remarketing Agent and the Bank.

"Person" shall mean natural persons, firms, partnerships, associations, corporations and public bodies.

"Project" shall have the meaning assigned to such term in Section 2.03.

"Purchase Date" means (a) with respect to any optional tender for purchase pursuant to Section 5.03 of Bonds in the Weekly Mode, any Business Day designated as the date of such purchase pursuant to such Section and (b) with respect to any mandatory purchase pursuant to Section 5.04(1) in the case of Bonds which are to be purchased upon conversion from one Rate Mode to another Rate Mode, the Conversion Date, or if such Conversion Date is not a Business Day, the first Business Day succeeding such Conversion Date, (2) in the case of Bonds which are to be purchased upon expiration of a Term Rate Period, the first Business Day following the end of such Term Rate Period, (3) in the case of Bonds to be purchased in anticipation of the expiration of the Letter of Credit or the issuance of an Alternate Letter of Credit, the Interest Payment Date next preceding the Expiration Date of the Letter of Credit or the Interest Payment Date on which an Alternate Letter of Credit becomes effective, as applicable, and (4) in the case of Bonds to be purchased at the direction of the Bank, on the Business Day stipulated by the Bank pursuant to 6.1(B) of the Reimbursement Agreement.

"Purchased Bonds" shall have the meaning assigned to such term in Section 5.08.

"Purchase Price" shall mean an amount equal to 100% of the principal amount of any Bond tendered or deemed tendered pursuant to the provisions of this Ordinance, plus accrued and unpaid interest thereon to the Purchase Date.

"Rate Mode" means the Weekly Mode or a Term Mode.

"Rating Service" means Moody's Investors Service, Inc., if the Bonds are rated by such at the time, and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., if the Bonds are rated by such at the time, and their successors and assigns, or if either shall be dissolved or no longer assigning credit ratings to long term debt, then any other nationally recognized entity assigning credit ratings to long term debt designated in writing by the City and satisfactory to the Paying Agent.

"Redemption Price" shall mean the amount which is payable with respect to a Bond (or portion thereof) upon redemption thereof prior to maturity in accordance with the terms thereof and of the Bonds.

"Regular Record Date" means, while the Bonds are in the Weekly Mode, the close of business on the last Business Day preceding an Interest Payment Date and, while the Bonds are in the Term Mode, the close of business on the fifteenth day of the calendar month next preceding an Interest Payment Date.

"Reimbursement Agreement" means the Reimbursement, Credit and Security Agreement to be dated as of September 1, 2008 between the City and the Bank relating to the Letter of Credit and the Bonds, as amended, supplemented or replaced from time to time.

"Remarketing Agent" means, initially, Wachovia Bank, National Association and any Person meeting the qualifications of, and designated from time to time to act as Remarketing Agent under, Section 6.03. "Principal Office" of the Remarketing Agent means the office of the Remarketing Agent at the address of the Remarketing Agent set forth in Section 7.02, or any other office so designated in writing by the Remarketing Agent to the City, the Paying Agent and the Bank.

"Remarketing Agreement" means the Remarketing Agreement between the City and the Remarketing Agent relating to the Bonds, as amended, supplemented or replaced from time to time.

"Remarketing Proceeds Purchase Account" means the special trust account so designated and established pursuant to Section 5.06.

"Representation Letter" shall mean the blanket representation letter from the City to DTC.

"Semiannual Date" means each May 1 and each November 1.

"Semiannual Period" means a six month period commencing on a Semiannual Date and ending on and including the day immediately preceding the next Semiannual Date.

"Series Issue Date" means the date of original issuance and first authentication and delivery of the Bonds to the initial purchaser thereof against payment therefor.

"Sinking Fund" means the fund so designated and established pursuant to Section 4.01.

"Special Record Date" means, with respect to any Bond, the date established by the Paying Agent in connection with the payment of overdue interest on that Bond in accordance with the terms hereof and of the Bonds.

"Standard & Poor's" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., and its successors and assigns.

"Supplemental Ordinance" shall mean any Ordinance supplemental to this Ordinance.

"Term Mode" means, with respect to the Bonds, the mode of accruing interest thereon at Term Rates based on a constant Nominal Term Rate Period.

"Term Rate" means the rate of interest borne by the Bonds for a Term Rate Period determined pursuant to Section 3.03.

"Term Rate Calculation Date" means a Business Day not more than 15 days and not less than one day prior to the first day of the corresponding Term Rate Period.

"Term Rate Period" means a period of two or more consecutive Semiannual Periods equal to the applicable Nominal Term Rate Period determined pursuant to Section 3.10 commencing on the Semiannual Date immediately following the last day of the immediately preceding Term Rate Period and running through and ending on the day immediately preceding the Semiannual Date which follows such commencement date by a period equal to such Nominal Term Rate Period; except that the first Term Rate Period after conversion from a Weekly Rate to a Term Rate shall commence on the Conversion Date of such conversion and end on and include the day immediately preceding the Semiannual Date which follows the Semiannual Date occurring on or immediately preceding such Conversion Date by a period equal to such Nominal Term Rate Period.

"Term Rate Period End Interest Payment Date" means the Semiannual Date immediately following the last day of a Term Rate Period.

"Transfer Office" of the Paying Agent means the office where Bonds may be delivered to the Paying Agent for transfer or exchange, which office may be the office of an agent of the Paying Agent for such purpose and shall be the office so designated in Section 7.02 or another office of the Paying Agent or its agent so designated in a separate writing by the Paying Agent to the City, the Remarketing Agent and the Bank.

"Undelivered Bonds" means any Bonds subject to purchase pursuant to Section 5.03 or 5.04 which the Holder thereof has failed to deliver as described in such Sections.

"Weekly Mode" means, with respect to the Bonds, the mode of bearing interest thereon at a Weekly Rate.

"Weekly Rate" means a floating weekly interest rate on the Bonds established and adjusted in accordance with Section 3.02.

"Weekly Rate Calculation Date" means Wednesday in each calendar week or, if any Wednesday is not a Business Day, the first Business Day preceding such Wednesday.

“Weekly Rate Period” means the seven-day period commencing on the first Thursday following the corresponding Weekly Rate Calculation Date and running through Wednesday of the following calendar week; except that (i) the first Weekly Rate Period shall commence on the Series Issue Date and end on and include the first Wednesday occurring after the Series Issue Date, (ii) the first Weekly Rate Period following a conversion from a Term Mode to the Weekly Mode shall commence on the Conversion Date for such conversion and end on and include the first Wednesday occurring after such date, and (iii) the last Weekly Rate Period prior to a conversion from the Weekly Mode to the Term Mode shall end on and include the last day immediately preceding the Conversion Date for such conversion.

SECTION 2: ISSUANCE, SALE AND DELIVERY OF BONDS; PLEDGE OF TAXING POWER

Section 2.01 Bonds Authorized; Nonelectoral Debt. An increase in the authorized nonelectoral debt of the City is hereby authorized and directed in the amount not to exceed \$14,000,000, which increase together with all other indebtedness of the City will not result in a violation of the limitations of the Constitution of the Commonwealth of Pennsylvania or of the Act, through the issuance of general obligation bonds of the City in the aggregate principal amount not to exceed \$14,000,000, designated “City of Reading, Berks County, Pennsylvania, Federally-Taxable General Obligation Variable Rate Demand Bonds, Series E of 2008” and issued for the purpose of providing funds for the Project and to pay the costs of issuance of the Bonds as set forth in greater detail in the recitals hereto and incorporated herein by reference and hereby approved as if recited herein at length. The Council determines that the debt to be incurred pursuant to this Ordinance, and which shall be evidenced by the Bonds, shall be nonelectoral debt of the City. The Bonds, when issued, will be a general obligation of the City.

Section 2.02 Private Sale by Negotiation. The private sale by negotiation of the Bonds to finance the Project and the costs and expenses of the financing is hereby determined to be in the best financial interest of the City.

Section 2.03 Project Description; Cost Estimates and Useful Life. A brief description of the projects (the “Project”) to be financed with, among other things, the proceeds of the Bonds is as follows: (1) the advance refunding the Refunded 2005 Notes; and (2) the payment of the costs and expenses of issuing the Bonds.

The City hereby certifies that the remaining realistic estimated useful lives of the capital projects refinanced with the Bonds range from at least 15 to at least 27 years. It is hereby certified that an aggregate principal amount of the Bonds at least equal to the realistic estimated cost of the Project shall mature prior to the end of the useful life of the Project. Stated installments or maturities of principal of the Bonds will not be deferred beyond two (2) years from the date of issuance of the Bonds.

Section 2.04 Refunding of Refunded 2005 Notes; Escrow Agreement. In connection with the issuance and sale of the Bonds, the Council of the City, as required by the provisions of the Act, hereby finds, determines and states (a) that the purpose of the refunding of the Refunded 2005 Notes is to substitute bonds for notes; and (b) that the refunding of the Refunded 2005 Notes is authorized and permitted under and pursuant to the provisions of Section 8241 of the Act. The Council of the City further finds and determines that the final maturity date of the

Bonds issued to effect the refunding of the Refunded 2005 Notes does not extend to a date that could not have been included in the Refunded 2005 Note issue.

The Council of the City hereby authorizes and directs its proper officers, agents and employees to execute all documents and take all actions necessary in connection with accomplishing the refunding of the Refunded 2005 Notes, including, but not limited to providing notice to the Paying Agent for the Refunded 2005 Notes, and to call the Refunded 2005 Notes for optional redemption in full on the first date the Refunded 2005 Notes are eligible to be called for optional redemption. In accordance with Section 8246 of the Act, it is the intent of the Council that the Refunded 2005 Notes shall no longer be outstanding from and after the date of the issuance of the Bonds. The City hereby authorizes and directs the proper officers, agents and employees to execute any and all other documents and to take any and all action necessary in connection with the Project to cause the Refunded 2005 Notes to "no longer be deemed to be outstanding" as of the date of delivery of the Bonds, within the meaning and for the purposes of Section 8250 of the Act and to cause the redemption of the Refunded 2005 Notes on the earliest date permitted thereby.

On the date of delivery of the Bonds, to the extent required for a lawful defeasance of the Refunded 2005 Notes, the proper officers of the City are hereby authorized, empowered and directed to execute, attest and deliver the Escrow Agreement in the form approved by such officers with the advice of the Solicitor to the City. The Escrow Agreement shall provide for, among other things, the following: (i) a certification to the Escrow Agent of the amount required to pay the principal of, premium, if any, and interest on, the Refunded 2005 Notes to the redemption date thereof, (ii) the deposit with the Escrow Agent of an amount which, when taken together with the interest to be earned thereon, will be in the amount necessary to pay the principal and redemption price of, premium, if any, and interest on the Refunded 2005 Notes to the date fixed for the redemption thereof, (iii) the investment of the amounts deposited with and held by the Escrow Agent, (iv) a direction to the Escrow Agent to cause notice of redemption to be given to the holders of the Refunded 2005 Notes, and (v) the irrevocable pledge and escrow of, and grant of a security interest in favor of the Escrow Agent of all investments held by it pursuant to the Escrow Agreement.

Section 2.05 Execution, Issuance and Delivery Authorized. The execution, sale and delivery of the Bonds, as evidence of the increase in nonelectoral debt authorized in Section 2.01, is hereby authorized and directed.

Section 2.06 Execution of Bonds. The Bonds shall be executed by the true or facsimile signatures of the Mayor of the City and shall have a true or facsimile of the official seal of the City affixed thereto, duly attested by the true or facsimile signature of the City Clerk of the City and shall be authenticated by the certificate endorsed thereon, manually signed by a duly authorized officer of the Paying Agent hereinafter designated.

Section 2.07 Acceptance of Proposal. The proposal of the Purchaser for the purchase of the Bonds at private sale by negotiation as set forth in the Purchase Proposal is hereby approved and accepted in compliance with Section 8107 of the Act, which provides that such obligations may be sold by the City at negotiated or invited sale upon receipt of an acceptable proposal for the purchase thereof, and the Bonds are hereby awarded to the Purchaser upon the terms set forth in the Purchase Proposal. The Mayor of the City is hereby authorized,

empowered and directed to execute an agreement of purchase for the Bonds by signing on behalf of the City a copy or copies of the Purchase Proposal in the form as submitted and approved at this meeting and to cause the official seal of the City to be affixed thereto and duly attested by the City Clerk. The Bonds, if, as and when issued, shall be delivered to the Purchaser after execution and authentication thereof against receipt of the balance of the full purchase price therefor. A copy of the Purchase Proposal as presented, approved and accepted is to be attached to the minutes of the meeting and is hereby made a part hereof by reference. As set forth in the Purchase Proposal, the Bonds are purchased at a price equal to 100% of the aggregate principal amount thereof less the Purchaser's discount in an amount equal to \$4.00 per each \$1,000 of the aggregate principal amount thereof as set forth in the Purchase Proposal.

Upon final pricing of the Bonds, the Purchaser will present to the City an Addendum to the Purchase Proposal setting forth the final terms and conditions of the Bonds, including the final principal amount, redemption provisions and purchase price for the Bonds (the "Addendum"). As long as the terms and conditions set forth in the Addendum satisfy the parameters set forth in this Ordinance, the Mayor of the City is hereby authorized and directed to accept and to execute the Addendum in the name and on behalf of the City, and the City Clerk is hereby authorized and directed to attest to such acceptance and execution.

Section 2.08 Pledge of Taxing Power. It is hereby covenanted to and with the holders from time to time of the Bonds that the City (i) shall include in its budget in each fiscal year the amount of the debt service on the Bonds (including any Purchased Bonds) for each fiscal year in which such sums are payable, (ii) shall appropriate from its general revenues in each fiscal year such amounts to the payment of such debt service on the Bonds (including any Purchased Bonds) for such year, and (iii) shall duly and punctually pay or cause to be paid the principal of the Bonds (including any Purchased Bonds) and the interest due thereon at the dates and places and in the manner stated in the Bonds according to the true intent and meaning thereof, and for such budgeting, appropriation and payment, the City pledges its full faith, credit and taxing power. As provided in Section 8104 of the Act, this covenant shall be specifically enforceable.

Section 2.09 [Reserved].

Section 2.10 Department Filing. The Mayor of the City and the City Clerk of the City, and, if applicable, their duly qualified respective successors, are hereby authorized and directed, in the name and on behalf of the City: (a) to prepare, execute and certify the debt statement and borrowing base certificate required by the Act; (b) to prepare, execute and file with the Department, as required by Section 8111 of the Act, a duly attested copy of this Ordinance, with proofs of proper publication, the accepted Proposal of the Purchaser and a complete and accurate transcript of the proceedings relating to the incurring of the debt to be evidenced by the Bonds, including the debt statement and borrowing base certificate; (c) to pay or to cause to be paid to the Department all proper filing fees required by the Act in connection with the foregoing; (d) to pay or cause to be paid from proceeds of the Bonds or otherwise, all costs and expenses incurred by the City in connection with the issuance of the Bonds; (e) to advertise the enactment of this Ordinance, as required by the Act; and (f) to take any and all other action, and to execute and deliver any and all documents and other instruments, required or permitted by the Act or by the Purchase Proposal, or which they, in their sole discretion, may deem necessary, proper or desirable to effect the issuance of the Bonds, to the extent not inconsistent with this Ordinance or applicable law.

Section 2.11 Official Statement. The preparation and the arrangements for the printing of the Official Statement are hereby authorized and approved and the distribution thereof by the Purchaser is authorized. The Mayor of the City is hereby authorized, empowered and directed on behalf of the City to execute the Official Statement in a form approved by the Solicitor to the City with such additions, deletions or changes as are necessary to make such document in its final form conform to the terms and conditions of the Purchase Proposal and to deliver same to the Purchaser. The Mayor of the City is hereby authorized to designate the Official Statement as a "final official statement" for purposes of Rule 15c2-12 of the Securities Exchange Commission under the Securities Exchange Act of 1934.

Section 2.12 Necessary Further Action. The appropriate officers as designated in Section 2.06 hereof are hereby authorized, empowered and directed to execute the Bonds as aforesaid in Section 2.06 and to cause the Bonds to be authenticated by the certificate endorsed thereon, manually signed by a duly authorized officer of the Paying Agent designated in Section 4.02 hereof. The Mayor of the City is further authorized, empowered and directed to deliver the Bonds upon receipt of the purchase money and in accordance with the terms of the Purchase Proposal for the purchase thereof and to execute and deliver any and all papers and documents with such additions, deletions or changes as such officers shall deem appropriate and in accordance with this Ordinance and to take such further action and to do or cause to be done any and all acts and things as may be necessary or appropriate to execute or carry out the purposes of this Ordinance, to incur the debt hereby authorized and to effectuate the issuance, sale and delivery of the Bonds, and such actions of such officers shall be deemed the actions of the City.

The City's Bond Counsel, Stevens & Lee, is hereby authorized and directed to prepare all documents required in connection with the issuance, sale and delivery of the Bonds as Bond Counsel deems necessary or appropriate and to arrange for the printing thereof and of the Bonds.

Section 2.13 Letter of Credit. In connection with the issuance of the Bonds, the proper officers of the City are hereby authorized to take all action necessary to cause the Bonds to be supported by the Letter of Credit as provided in the Purchase Proposal under the terms and conditions therein set forth, including, but not limited to, the execution and delivery by the proper officers of the City of a commitment letter for such Letter of Credit between the City and the Bank.

SECTION 3: THE BONDS

Section 3.01 Form and Terms of Bonds.

(a) While the Bonds are in the Weekly Mode, the form of the Bonds shall be as set forth on Exhibit A attached hereto and by this reference made a part of this Ordinance, with appropriate insertions, omissions and variations; while the Bonds are in the Term Mode, the form of the Bonds shall be substantially as set forth on such Exhibit A but with such insertions, omissions and variations as shall be necessary to reflect the terms and provisions of the Bonds while in the Term Mode, including the redemption provisions applicable to Bonds in the Term Mode, as set forth in this Ordinance. Bonds in the Weekly Mode shall be issued in principal denominations of \$100,000 and \$5,000 multiples in excess thereof. Bonds in the Term Mode

shall be issued in the denominations of \$5,000 or any integral multiple thereof. All Bonds shall be in fully registered form, without coupons, and shall be dated as of the Series Issue Date.

(b) (i) The Bonds shall initially bear interest at the Weekly Rate from the Series Issue Date. The Bonds may be converted from a Weekly Rate to a Term Rate as provided in Section 3.03. Interest on the Bonds for any particular Weekly Rate Period shall be calculated on the basis of a year of 365 or 366-days as appropriate for the actual number of days elapsed. Interest accruing on the Bonds at a Term Rate shall be computed on the basis of a year of 360-days based upon twelve 30-day months.

(ii) Interest on each of the Bonds shall be payable on each Interest Payment Date for the immediately preceding interest payment period to the Person in whose name ownership of such Bond is registered as of the close of business on the Regular Record Date for such Interest Payment Date, except as provided in clause (iii) of this subsection, and shall be paid by check mailed on the applicable Interest Payment Date to the address of such Holder shown on the Bond Register; provided, however, that interest on a Bond shall be paid by wire transfer of immediately available funds to an account of the Holder thereof within the United States of America, if such Holder is DTC, its nominee or any successor securities depository or if such Holder is the registered owner of Bonds in an aggregate principal amount of \$1,000,000 or more and has made written request for wire payment of interest to the Paying Agent at least fifteen (15) days prior to the Interest Payment Date. Any such request of such Holder for wire payment of interest on such Bond may state that such request and wire payment instructions will remain effective until further notice to the Paying Agent, but no such request shall be valid and effective after ownership of such Bond shall be transferred upon the Bond Register.

The Bonds authenticated and delivered while bearing interest in the Weekly Mode shall set forth on the face thereof, in the place provided for designating the interest rate, the words "Weekly Rate."

Bonds authenticated and delivered while bearing interest at a Term Rate shall set forth on the face thereof, in the place provided for designating the interest rate, the words "___% Term Rate" for Term Rate Period ending with appropriate insertion of the applicable interest rate and maturity date.

(iii) Interest on any Bond not punctually paid or duly provided for by the City shall forthwith cease to be payable to the Person in whose name ownership of such Bond is registered as of the Regular Record Date for the payment of such interest and shall be paid to the Person in whose name such Bond is registered at the close of business on the Special Record Date established for the payment of such interest.

(iv) Subject to the provisions of Section 5.08 hereof, interest on a Bond (or the applicable portion thereof) shall cease to accrue on the earliest of the following dates:

(A) on the Purchase Date set forth in a Bondholder Tender Notice with respect to such Bond (or portion thereof) satisfying the terms and conditions of Section 5.03, provided that money has been irrevocably deposited in the Letter of Credit Purchase Account in an amount sufficient and available to pay the Purchase Price thereof on such Purchase Date;

(B) on the date fixed for redemption thereof, provided that proper notice of redemption has been given in accordance with the terms hereof and of the Bonds and money has been irrevocably deposited with the Paying Agent in an amount sufficient and available to pay the Redemption Price thereof on such date fixed for redemption;

(C) on the maturity date of such Bond, provided that money has been irrevocably deposited with the Paying Agent in an amount sufficient to pay the principal amount thereof, plus accrued and unpaid interest thereon to such maturity date; and

(D) on the Purchase Date with respect to any mandatory tender of Bonds in accordance with Section 5.04, provided that money has been irrevocably deposited in the Letter of Credit Purchase Account in an amount sufficient and available to pay the Purchase Price thereof on such Purchase Date.

From and after any such date upon which interest shall cease to accrue on a Bond (or portion thereof), the Owner of such Bond (or portion thereof) shall have no rights with respect thereto, except to receive payment of the Purchase Price, the Redemption Price or the matured principal thereof, together with accrued and unpaid interest thereon, if any, to the Purchase Date, the redemption date or the maturity date, as applicable and appropriate, from the money so deposited with the Paying Agent.

(v) Anything herein to the contrary notwithstanding, in no event shall any Bonds bear interest at a rate in excess of the Maximum Rate.

(vi) Purchased Bonds shall bear interest at the rate set forth in the Reimbursement Agreement.

(c) The principal, redemption premium, if any, and interest with respect to the Bonds (including the Purchase Price or Redemption Price, as applicable) shall be payable in lawful money of the United States of America at the Designated Office of the Paying Agent and, in the case of an optional or mandatory tender of Bonds for purchase, at the Designated Office of the Paying Agent. No payment of principal or redemption premium with respect to a Bond (including the portion of the Purchase Price or Redemption Price representing principal or premium) shall be made unless and until such Bond is surrendered to the Paying Agent for payment and cancellation; subject, however, to the provisions hereof with respect to Bonds while held in book-entry form and registered in the name of DTC, its nominee or a successor securities depository or its nominee.

(d) The Bonds shall mature on November 1, 2031. The Bonds shall be subject to redemption and tender for purchase prior to stated maturity as provided in Section 5.

Section 3.02 Weekly Rate. A Weekly Rate shall be determined for each Weekly Rate Period as described below. For each Weekly Rate Period and so long as the Bonds are in the Weekly Mode, the interest rate on the Bonds shall be the current market rate determined by the Remarketing Agent on the immediately preceding Weekly Rate Calculation Date, in accordance with this Section. On each Weekly Rate Calculation Date, the Remarketing Agent shall determine the Weekly Rate for the next succeeding Weekly Rate Period as the rate which if borne by the Bonds would, in the judgment of the Remarketing Agent, taking into account prevailing financial market conditions, be the interest rate necessary, but would not exceed the

interest rate necessary, to enable the Remarketing Agent to arrange for the sale of all of the outstanding Bonds at a price equal to the principal amount thereof plus accrued interest thereon. Notice of such Weekly Rate shall be given by the Remarketing Agent to the Paying Agent by the close of business on the Weekly Rate Calculation Date. No notice of Weekly Rates will be given to the City, the Bank or the Holders; however, the City, the Bank and the Holders may obtain Weekly Rates from the Paying Agent or the Remarketing Agent upon request therefor. Anything herein to the contrary notwithstanding, in no event shall the Weekly Rate borne by the Bonds exceed the Maximum Rate.

In determining each Weekly Rate to be effective pursuant to this Section, prevailing financial market conditions which the Remarketing Agent shall take into account shall include (i) existing short-term taxable market rates and indexes of such short-term rates, (ii) the existing market supply and demand for short-term taxable securities, (iii) existing yield curves for short-term taxable securities for obligations of credit quality comparable to the Bonds, (iv) general economic conditions, (v) industry, economic and financial conditions that may affect or be relevant to the Bonds, and (vi) such other facts, circumstances and conditions as the Remarketing Agent, in its sole discretion, shall determine to be relevant.

If for any reason the Remarketing Agent does not determine a Weekly Rate for any Weekly Rate Period as aforesaid, or if a court holds a rate for any Weekly Rate Period to be invalid or unenforceable, the Weekly Rate for that Weekly Rate Period shall be equal to the Weekly Rate in effect for the immediately preceding Weekly Rate Period. The Weekly Rate for any consecutive succeeding Weekly Rate Period for which the Remarketing Agent does not determine a Weekly Rate, or a court holds a rate to be invalid or unenforceable, shall be equal to LIBOR.

The determination of the Weekly Rate by the Remarketing Agent pursuant to this Ordinance shall be conclusive and binding upon the City, the Paying Agent, the Remarketing Agent, the Bank and the Holders of the Bonds.

Section 3.03 Term Rate. A Term Rate shall be determined for each Term Rate Period as described below. Upon conversion to a Term Mode, a Nominal Term Rate Period shall be fixed by the City pursuant to Section 3.10 as a term of two or more consecutive Semiannual Periods constituting the nominal length of each Term Rate Period thereafter until the date of a conversion to another Rate Mode. A Term Mode based on one Nominal Term Rate Period and a Term Mode based on another Nominal Term Rate Period are different Rate Modes. Each Term Rate shall be determined by the Remarketing Agent, on the Term Rate Calculation Date, as the lowest rate of interest that, in the judgment of the Remarketing Agent, taking into account prevailing financial market conditions, would be necessary to enable the Remarketing Agent to arrange for the sale of the Bonds in the respective Term Mode in a secondary market sale at a price equal to the principal amount thereof, plus accrued interest, on the first Business Day of the respective Term Rate Period; provided that (1) if the Remarketing Agent fails for any reason to determine the Term Rate for any Term Rate Period, such Term Rate shall be equal to 80% of the average of the annual bond equivalent yield evaluations at par as of the first day of the corresponding Term Rate Period or, if such day is not a Business Day, the next preceding Business Day of United States Treasury obligations having a term to maturity similar to such Term Rate Period, and (2) no Term Rate shall exceed the lesser of (i) the maximum interest rate at which the Letter of Credit then in effect provides coverage for at least 200 days interest and

(ii) 12% per annum. In determining a Term Rate pursuant to this Section, prevailing financial market conditions which the Remarketing Agent shall take into account shall include (i) existing long-term taxable market rates and indexes of such long-term rates, (ii) the existing market supply and demand for long-term taxable securities, (iii) existing yield curves for long-term taxable securities for obligations of credit quality comparable to the Bonds, (iv) general economic conditions, (v) industry, economic and financial conditions that may affect or be relevant to the Bonds, and (vi) such other facts, circumstances and conditions as the Remarketing Agent, in its sole discretion, shall determine to be relevant. Notice of each Term Rate shall promptly be given by telephone (promptly confirmed in writing) by the Remarketing Agent to the Paying Agent, the City and the Bank. Determinations of Term Rates pursuant to this Section shall be conclusive and binding upon the City, the Paying Agent, the Bank and the Holders.

Section 3.04 Bond Register; Status of Registered Owners. The Bond Registrar shall keep books for the registration of ownership, transfer and exchange of Bonds in the manner provided therein and herein so long as any Bonds shall remain outstanding.

As to any Bond, the City and the Paying Agent may deem and treat the Person or Persons in whose name(s) ownership of such Bond is registered on the Bond Register as the absolute owner thereof for all purposes, whether such Bond shall be overdue or not, and payment of the principal of, premium, if any, and interest on any such Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon any such Bond, to the extent of the sum or sums so paid, and neither the City nor the Paying Agent shall be affected by any notice to the contrary.

Section 3.05 Registration, Transfer and Exchange of Bonds; Mutilated, Lost, Wrongfully Taken or Destroyed Bonds; Cancellation of Bonds. All Bonds shall be issued in registered form and the ownership thereof shall be recorded by the Bond Registrar upon the Bond Register upon original issuance thereof and upon subsequent transfer of ownership or exchange as herein provided. Registration of a transfer of ownership of any Bond shall be made upon the Bond Register upon surrender of such Bond to the Bond Registrar, at its Designated Office, accompanied by a written instrument or instruments of assignment and transfer in form, with instructions, and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the Owner of such Bond or his attorney-in-fact or legal representative. The Bond Registrar shall enter any transfer of ownership of such Bond in the Bond Register and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered Bond or Bonds of like tenor in authorized denomination(s) for the aggregate principal amount which the transferee is entitled to receive. Any of the Bonds, upon surrender thereof at the Designated Office of the Bond Registrar, accompanied by written instructions satisfactory to the Bond Registrar, duly executed by the Owner thereof or his attorney or legal representative, may be exchanged for a like aggregate principal amount of Bonds of like tenor of other authorized denominations. All such registration of transfers and exchanges shall be made without cost to the Holder or his transferee, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder requesting such transfer or exchange as a condition precedent to the exercise of such privilege.

The City and the Bond Registrar shall not be required to issue or register the transfer of or exchange any Bonds during the period beginning at the close of business on the fifteenth

(15th) day next preceding any date of selection of such Bonds to be redeemed and ending at the close of business on the day of mailing of the notice of redemption or to register the transfer of or exchange any portion of any Bond selected for redemption until after the redemption date.

If any Bond is mutilated, lost, wrongfully taken or destroyed, in the absence of written notice to the City or the Paying Agent that a lost, wrongfully taken or destroyed Bond has been acquired by a bona fide purchaser, the City shall execute, and the Paying Agent shall authenticate and deliver, a new Bond of like date, maturity, interest rate and denomination and of the same series as the Bond mutilated, lost, wrongfully taken or destroyed; provided that (i) in the case of any mutilated Bond, the mutilated Bond first shall be surrendered to the Paying Agent, and (ii) in the case of any lost, wrongfully taken or destroyed Bond, there first shall be furnished to the City and the Paying Agent evidence of the loss, wrongful taking or destruction satisfactory to the Paying Agent, together with indemnity satisfactory to it and to the Authorized Officer of the City. The City and the Paying Agent may charge the Holder of a mutilated, lost, wrongfully taken or destroyed Bond their reasonable fees and expenses in connection with their actions pursuant to this Section.

Notwithstanding the foregoing, the Paying Agent shall not be required to authenticate and deliver any substitute Bond for a Bond which has been called for redemption or which has matured or is about to mature and, in any such case, the principal or redemption price and interest then due or becoming due shall be paid by the Paying Agent with funds available under the Ordinance for such purpose in accordance with the terms of the mutilated, lost, wrongfully taken or destroyed Bond without substitution therefor.

Any Bond authenticated and delivered under this Section 3.05 in substitution for a lost, wrongfully taken or destroyed Bond shall, except as otherwise provided in this Section, be deemed to evidence the same debt as the lost, wrongfully taken or destroyed Bond. Every substituted Bond issued pursuant to this Section shall constitute an additional contractual obligation of the City and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Bonds duly issued hereunder unless the Bond alleged to have been lost, wrongfully taken or destroyed shall be at any time enforceable by a bona fide purchaser for value without notice. In the event the Bond alleged to have been lost, wrongfully taken or destroyed shall be enforceable by anyone, the City may recover the substitute Bond from the Bondholder to whom it was issued or from anyone taking under such Bondholder except a bona fide purchaser for value without notice.

All Bonds shall be held and owned on the express condition that the foregoing provisions of this Section are exclusive with respect to the replacement or payment of mutilated, lost, wrongfully taken or destroyed Bonds and, to the extent permitted by law, shall preclude any and all other rights and remedies with respect to the replacement or payment of negotiable instruments or other investment securities without their surrender, notwithstanding any law or statute to the contrary now existing or hereafter enacted.

Any Bond surrendered pursuant to this Section 3 for the purpose of payment, redemption, retirement, exchange, replacement or transfer shall be cancelled upon presentation and surrender thereof to the Paying Agent. Bonds purchased pursuant to Section 5.03 or 5.04 shall not be surrendered Bonds and shall be outstanding Bonds, unless otherwise specifically provided in this Ordinance.

The City may deliver at any time to the Paying Agent for cancellation any Bonds previously authenticated and delivered hereunder, which the City may have purchased pursuant to the provisions of this Ordinance. All Bonds so delivered shall be cancelled promptly by the Paying Agent. Cancelled Bonds shall be destroyed by the Paying Agent by shredding, incineration or other method promptly after their cancellation. Upon written request from the City, the Paying Agent shall provide certificates describing the destruction of cancelled Bonds to the City.

Section 3.06 Temporary Bonds. Until Bonds in definitive form are ready for delivery, the City may execute, and upon its written request, the Bond Registrar shall authenticate and deliver in lieu of Bonds in definitive form, and subject to the same provisions, limitations and conditions, one or more printed, lithographed or typewritten Bonds in temporary form, substantially of the tenor of the Bonds herein described, with appropriate omissions, variations and insertions. Until exchanged for Bonds in definitive form, such executed and authenticated Bonds in temporary form shall be entitled to all the benefits of this Ordinance. The City may prepare, execute and deliver to the Bond Registrar, and the Bond Registrar shall authenticate and deliver, in exchange for Bonds in temporary form upon surrender thereof at the Designated Office of the Bond Registrar, Bonds in definitive form of the same maturity, principal amount and interest rate duly registered in the name of the Owner of the Bonds in temporary form so surrendered for exchange. Such exchange shall be made at the expense of the City.

Section 3.07 Bond Identification Numbers and Legends. Any Bond may bear such number, or other marks of identification or designation, including "CUSIP" numbers, may be endorsed with or have incorporated in the text thereof such legends or recitals with respect to transferability, and may contain such provisions, specifications and descriptive words not inconsistent in any case with the provisions of this Ordinance, as may be determined by the City and approved by the Paying Agent and Bond Registrar. Neither the City, the Bond Registrar nor the Paying Agent shall be deemed to make any representation as to the accuracy or correctness of any "CUSIP" numbers, either as printed on the Bonds or in any notice of redemption.

Section 3.08 Authentication. None of the Bonds shall be entitled to any benefit under this Ordinance, nor shall any of the Bonds be valid, obligatory or enforceable for any purpose until such bond shall have been registered and authenticated by the Certificate of Authentication endorsed thereon duly signed by the Bond Registrar; and the Bond Registrar is hereby authorized to register and authenticate the Bonds in accordance with the provisions hereof.

Section 3.09 Book-Entry System for Bonds.

(a) Notwithstanding the foregoing provisions of this Section 3, the Bonds shall be issued initially in the form of one fully-registered bond, which may be typewritten or lithographed, for the aggregate principal amount of the Bonds of each maturity and shall be registered in the name of Cede & Co., as nominee of DTC. Except as provided in subsection (g) below, all of the Bonds shall be registered in the name of Cede & Co., as nominee of DTC; provided that if DTC shall request that any Bonds be registered in the name of a different nominee, the Bond Registrar shall exchange such Bonds for an equal aggregate principal amount of Bonds of like tenor registered in the name of such nominee. No person other than DTC or its nominee shall be entitled to receive from the City, the Paying Agent or the Bond Registrar either a Bond or any other evidence of ownership of Bonds, or any right to receive any payment in

respect thereof, unless DTC or its nominee shall transfer record ownership of all or any portion of the Bonds on the Bond Register in connection with discontinuing the book-entry system as provided in subsection (g) below or otherwise.

(b) So long as any Bonds are registered in the name of DTC or any nominee thereof, all payments of the principal, premium, if any, or interest on such Bonds (including payments of the Purchase Price of such Bonds) shall be made to DTC or its nominee in accordance with the Representation Letter on the dates provided for such payments under this Ordinance. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the City and the Paying Agent with respect to the principal, premium, if any, or interest on the Bonds to the extent of the sum or sums so paid. In the event of any redemption of less than all of the Bonds outstanding of any particular maturity, the Paying Agent shall not require surrender by DTC or its nominee of the Bonds so redeemed, but DTC (or its nominee), may retain such Bonds and make an appropriate notation on the Bond certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Paying Agent, upon request, a written confirmation of such partial redemption and thereafter the records maintained by the Paying Agent shall be conclusive as to the amount of the Bonds of such maturity which have been redeemed.

(c) The City, the Paying Agent and the Bond Registrar may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal, premium, if any, or interest on the Bonds (including the payment of Purchase Price with respect thereto), selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Holders under this Ordinance, registering the transfer of ownership of Bonds, obtaining any consent or other action to be taken by Holders and for all other purposes whatsoever; and neither the City, the Paying Agent nor the Bond Registrar shall be affected by any notice to the contrary. Neither the City, the Paying Agent nor the Bond Registrar shall have any responsibility or obligation to any participant in DTC, any Person claiming a beneficial ownership interest in the Bonds under or through DTC or any such participant, or any other Person which is not shown on the Bond Register as being a Holder, with respect to (1) the Bonds, (2) the accuracy of any records maintained by DTC or any such participant, (3) the payment by DTC or any such participant of any amount in respect of the principal, premium, if any, or interest on the Bonds (or Purchase Price), (4) any notice which is permitted or required to be given to Holders under this Ordinance, (5) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Bonds, and (6) any consent given or other action taken by DTC as Holder.

(d) So long as the Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all notices required or permitted to be given to the Holders of such Bonds under this Ordinance shall be given to DTC as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Holders pursuant to this Ordinance by the City, the Remarketing Agent, the Paying Agent or the Bond Registrar with respect to any consent or other action to be taken by Holders, DTC shall consider the date of receipt of notice requesting such consent or other action as the record date for such consent or other action, provided that the City, the Remarketing Agent or the Paying Agent, as appropriate, may establish a special record date for such consent or other action. The City, the Remarketing Agent or the Paying Agent, as appropriate, shall give DTC notice of such

special record date not less than 15 calendar days in advance of such special record date to the extent possible.

(f) At or prior to settlement for the Bonds, the Remarketing Agent and the Paying Agent shall execute or signify their approval of the Representation Letter in substantially the form on file with the City Clerk of the City, or any other proper officer or officers of the City, or, if applicable, their duly qualified respective successors, and the Mayor of the City is hereby authorized and directed to execute, to attest, if appropriate, and to deliver such Representation Letter on behalf of the City. Any successor paying agent or remarketing agent for the Bonds shall, in its written acceptance of its duties under this Ordinance, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

(g) The book-entry system for registration of the ownership of the Bonds may be discontinued at any time if either (1) after notice to the City, the Paying Agent and the Bond Registrar, DTC determines to resign as securities depository for the Bonds, or (2) after notice to DTC, the Paying Agent and the Bond Registrar, the City determines that continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of the City. In either of such events (unless in the case described in clause (2) above, the City appoints a successor securities depository), the Bonds shall be delivered in registered certificate form to such Persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the City, the Paying Agent or the Bond Registrar for the accuracy of such designation. Whenever DTC requests the City, the Paying Agent and the Bond Registrar to do so, the City, the Paying Agent and the Bond Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

(h) Anything herein to the contrary notwithstanding, so long as any Bonds are registered in the name of DTC or any nominee thereof, in connection with any optional tender of such Bonds, the beneficial owners of such Bonds are responsible for submitting Bondholder Tender Notices to the Remarketing Agent only (and if and as permitted by the Remarketing Agent, such Bondholder Tender Notices may be submitted telephonically).

(i) Upon remarketing of Bonds in accordance with Section 5, payment of the Purchase Price thereof shall be made to DTC and no surrender of certificates is expected to be required. Such sales shall be made through DTC participants (which may include the Remarketing Agent) and the new beneficial owners of such Bonds shall not receive delivery of bond certificates. DTC shall transmit payment to DTC participants, and DTC participants shall transmit payment to beneficial owners whose Bonds were purchased pursuant to a remarketing. Neither the City, the Paying Agent, the Bond Registrar nor the Remarketing Agent is responsible for transfers of payment to DTC participants or beneficial owners.

(j) The provisions of this Section are subject to the provisions hereof relating to Purchased Bonds.

Section 3.10 Conversion of Interest Mode. The City shall have the option to convert the Bonds from one Rate Mode to another Rate Mode as herein provided on any Conversion Date the City shall select; provided that (i) each Conversion Date shall be an Interest Payment

Date and (ii) Bonds in a Term Mode cannot be converted to another Rate Mode prior to the date on or after which the Bonds may first be redeemed at a redemption price of par, plus accrued interest, pursuant to their terms. The City may exercise its option to convert the Bonds regardless of the number of times the City have previously been converted pursuant to the exercise of its option to convert. The City shall exercise such option by giving written notice from an Authorized Officer of the City to Paying Agent, the Remarketing Agent and the Bank, stating its election to convert the Rate Mode of the Bonds to another Rate Mode specified in such notice and stating the Conversion Date therefor, not less than 45 days (or such shorter period as shall be acceptable to the Paying Agent) prior to such Conversion Date. Upon receipt of such notice by the Paying Agent, the Paying Agent may conclusively assume that the Remarketing Agent and the Bank also received a copy of such notice and that such condition has been complied with. In connection with each conversion to a Term Mode, the Nominal Term Rate Period shall be selected by the City and designated in such notice. Notice of the exercise of an option to convert shall not be effective unless, within 10 days (or such greater period as shall be acceptable to the Paying Agent) of the delivery of such notice, there shall have been delivered to the Paying Agent (1) an opinion of Bond Counsel addressed to the Paying Agent, the City, the Bank and the Remarketing Agent to the effect that such conversion is authorized or permitted by this Ordinance and the Act, (2) written consent of the Bank to such conversion, (3) in the case of a conversion to a Term Mode, except as provided in Section 5.11 hereof, an amendment to the Letter of Credit or an Alternate Letter of Credit which provides for (i) an Expiration Date not earlier than one year after the Conversion Date, (ii) on and after such Conversion Date, coverage of 200 days accrued interest on the Bonds at a rate not less than the interest rate at which the then current letter of credit provides coverage, subject to adjustment on the Conversion Date to the actual Term Rate as the same shall be fixed on the Conversion Date, and (iii) on and after such Conversion Date, coverage of premium (if any) on the Bonds in an amount equal to the sum of the optional redemption premium and supplemental premium which would become payable on the Bonds upon mandatory redemption if the Letter of Credit (as amended by such amendment) or such Alternate Letter of Credit were not extended beyond the Expiration Date set forth therein, (4) in the case of a conversion from a Term Mode to the Weekly Mode an amendment to the Letter of Credit or an Alternate Letter of Credit which provides for (i) an Expiration Date not earlier than one year after the Conversion Date and (ii) on and after such Conversion Date, coverage for 34 days accrued interest on the Bonds at a maximum rate of 12% per annum, and (5) written notice from the Rating Service that such conversion and the related amendment to the Letter of Credit or delivery of an Alternate Letter of Credit will not result in a withdrawal or reduction of the then current rating or ratings on the Bonds or setting forth a new rating or ratings on the Bonds effective upon such conversion. In the case of a conversion from one Rate Mode to another Rate Mode, the Paying Agent shall give notice by first class mail (postage prepaid) to the Holders not less than 30 days prior to the proposed Conversion Date stating (i) that, in the case of a conversion to a Term Mode, the interest rate on the Bonds is scheduled to be converted to a Term Rate and stating the Nominal Term Rate Period on which such Term Rate will be based, or in the case of a conversion to the Weekly Mode, the interest rate on the Bonds is scheduled to be converted to a Weekly Rate, (ii) the proposed Conversion Date, (iii) that the City, on or before the tenth day prior to the proposed Conversion Date, may determine not to convert the Bonds in which case the Paying Agent shall notify the Holders in writing to such effect, and (iv) that all outstanding Bonds will be subject to a mandatory purchase on the Conversion Date, or if such Conversion Date is not a Business Day, the first Business Day following such Conversion Date at a price of par plus accrued interest, if any. The City, the Paying Agent, the Bank and the Remarketing Agent shall not be liable to any Holders for failure

to give any notice required above or for failure of any Holders to receive any such notice. Upon each conversion under this Section, the Bonds shall be subject to mandatory purchase pursuant to Section 5.04 on the Conversion Date or if such Conversion Date is not a Business Day, the first Business Day following such Conversion Date. In connection with such conversion, the existing Letter of Credit shall not be surrendered until after the Paying Agent has drawn upon such Letter of Credit with respect to any amount necessary to pay principal of or interest on the Bonds then due and the purchase price of Bonds subject to conversion pursuant to Section 5.04(a), and any amounts so drawn have been received by the Paying Agent.

Section 3.11 Preparation, Execution, Authentication and Delivery of Term Rate Bonds. In connection with any conversion of the interest rate on the Bonds from the Weekly Rate to the Term Rate, the City shall cause new bond certificates for the Bonds to be prepared (which shall be in the form set forth in Exhibit A to this Ordinance, but with appropriate insertions, omissions and variations as shall be necessary to reflect the terms of Bonds in the Term Mode, including the appropriate redemption provisions, as set forth or authorized in this Ordinance), duly executed in the name of and on behalf of the City by the manual or facsimile signatures of the Mayor of the City, or any other proper officer or officers of the City, or, if applicable, their duly qualified respective successors, attested by the manual or facsimile signature of the City Clerk of the City, imprinted or impressed with the official seal of the City or a facsimile thereof, and delivered to the Paying Agent for registration, authentication and delivery to the purchasers thereof in accordance with Section 5 hereof.

SECTION 4: SINKING FUND AND OTHER FUNDS

Section 4.01 Creation of Funds and Accounts. There is hereby created a special fund designated as the "Sinking Fund - City of Reading, Berks County, Pennsylvania, Federally-Taxable General Obligation Variable Rate Demand Bonds, Series E of 2008" (referred to herein as the "Sinking Fund") to be held by the Paying Agent as required by the Act.

Payments and withdrawals from the Sinking Fund shall be made only by the Paying Agent and only for the purposes and upon compliance with the terms and conditions hereinafter provided. In order to perform its duties, the Paying Agent may create such additional funds and separate accounts (including a settlement fund to handle transactions related to the issuance of the Bonds) as it may deem necessary or desirable.

Section 4.02 The Sinking Fund. The City hereby appoints the Paying Agent as the sinking fund depository with respect to the Sinking Fund and covenants to make payments out of the Sinking Fund, or out of any other of its revenues or funds, at such times and in such annual amounts, as shall be sufficient for prompt and full payment of all obligations of the Bonds when due. The Mayor of the City, or any other proper officer or officers of the City, or, if applicable, their duly qualified respective successors, is hereby authorized and directed to contract with the Paying Agent for its services as paying agent and sinking fund depository with respect to the Bonds and the Sinking Fund, and for such purposes are hereby authorized and directed to execute, to attest, if appropriate, and to deliver an agreement with the Paying Agent for its services and fees, such agreement to be in the form approved by the Solicitor to the City and the officers of the City who shall execute the same, their execution thereof to constitute conclusive evidence that such approvals have been given or received.

Section 4.03 The General Account and the Letter of Credit Debt Service Account.

(a) There is created within and as a part of the Sinking Fund for the benefit of the holders of the Bonds an account to be designated as the "General Account" and an account to be designated as the "Letter of Credit Debt Service Account." Such accounts shall be Eligible Accounts. The City covenants and agrees to deposit in the Sinking Fund, on or before the date when such payment is due, an amount which shall be sufficient to permit the Paying Agent to pay on such date all principal, Purchase Price and interest becoming due with respect to the Bonds, on an Interest Payment Date, or whether by maturity, mandatory sinking fund redemption or otherwise. Except as otherwise specifically directed under the terms of this Ordinance, all moneys received from the City shall be deposited into the General Account of the Sinking Fund. Moneys held by the Paying Agent in the General Account shall be applied in accordance with Section 4.03(b)(ii) and the other provisions of this Ordinance (i) to reimburse the Bank with respect to drawings on the Letter of Credit to pay the principal of, premium, if any, on or interest on Bonds, or (ii) to make payments of principal of, premium, if any, on and interest on the Bonds, to the extent other moneys are unavailable therefor. All moneys (and only those moneys) received by the Paying Agent from drawings under the Letter of Credit to pay principal of, premium, if any, on and interest on the Bonds shall be deposited in the Letter of Credit Debt Service Account and applied to such purpose.

(b) Application of Sinking Fund. Moneys in the Sinking Fund shall be applied as follows:

(i) Moneys in the Letter of Credit Debt Service Account shall be applied to the payment when due of principal of, premium, if any, on and interest on the Bonds (other than Purchased Bonds, for which such moneys shall not be Available Moneys).

(ii) Moneys in the General Account shall be applied to the following in the order of priority indicated:

(A) when insufficient moneys have been received under the Letter of Credit for application pursuant to Subsection 4.03(b)(i) or if no Letter of Credit is in place pursuant to Section 5.11 hereof, the payment when due of principal of, premium, if any, on and interest on the Bonds, other than Purchased Bonds;

(B) the reimbursement of the Bank when due for moneys drawn under the Letter of Credit and deposited in the Letter of Credit Debt Service Account for payment of principal of, premium, if any, on and interest on the Bonds (in applying moneys pursuant to this clause, the Paying Agent shall transfer such moneys by wire transfer of immediately available funds); and

(C) the payment when due of principal of, premium, if any, on and interest on Purchased Bonds.

(c) Drawings on Letter of Credit. By 10:00 a.m. on each Interest Payment Date, each redemption date and the maturity date of the Bonds, the Paying Agent shall present the requisite draft and certificate for a drawing on the Letter of Credit so as to comply with the provisions of the Letter of Credit for payment to be made in sufficient time for the Paying Agent to receive the proceeds of such drawing at or before 1:00 p.m. on such Interest Payment Date,

redemption date or maturity date, as the case may be, to pay principal of, premium, if any, on and interest on the Bonds due on such date. By 5:00 p.m. on each date it presents the requisite documents for a drawing on the Letter of Credit, the Paying Agent shall give notice to the City by telephone, promptly confirmed in writing, of the amount so drawn. The Paying Agent shall promptly notify the City by facsimile transmission or by oral or telephonic communication confirmed in writing if the Bank fails to transfer funds in accordance with the Letter of Credit upon the presentment of the requisite draft and certificate. In calculating the amount to be drawn on the Letter of Credit for the payment of principal of and interest on the Bonds, whether on an Interest Payment Date, at maturity or upon redemption, the Paying Agent shall not take into account the potential receipt of funds from the City under this Ordinance on such Interest Payment Date, or the existence of any other moneys in the Sinking Fund, but shall draw on the Letter of Credit for the full amount of principal and interest coming due on the Bonds.

(d) Payment in Full. Whenever the amount in the Sinking Fund available for the payment of principal or redemption price and interest in accordance with Subsection 4.03(b) is sufficient to redeem all of the outstanding Bonds and to pay interest accrued to the redemption date, the City will cause the Paying Agent to redeem all such Bonds on the redemption date specified by the City pursuant to the Bonds and this Ordinance. Any amounts remaining in the Sinking Fund after payment in full of (i) the principal of and premium, if any, and interest on the Bonds (or provision for payment thereof); (ii) all Reimbursement Obligations (as defined in the Reimbursement Agreement) under the Reimbursement Agreement; and (iii) the fees, charges and expenses of the Paying Agent shall be paid to the City.

(e) Credits. If at any time the Paying Agent has funds, including funds received pursuant to the Letter of Credit, which under the provisions of this Ordinance are to be applied to pay the principal of, premium, if any, on or interest on the Bonds, the City, to the extent that such funds are to be so applied, shall be entitled to a credit, equal to the amount of such funds, against payments due from the City under this Ordinance; provided that, with respect to funds received pursuant to one or more drawings on the Letter of Credit, the Bank has been reimbursed therefor.

Section 4.04 [Reserved].

Section 4.05 The Letter of Credit Purchase Account. The Letter of Credit Purchase Account shall be held and administered by the Paying Agent as set forth in Section 5.07 hereof.

Section 4.06 Moneys to Be Held for All Bondholders, with Certain Exceptions. As provided in the Act, all money deposited in the Sinking Fund as required by the Act and all investments and proceeds of investments thereof shall, without further action or filing, be subject to a perfected security interest for the Holders of the Bonds until such money or investments shall have been properly disbursed or sold.

All money in the Letter of Credit Purchase Account shall be held by the Paying Agent for the benefit of the Persons who shall have delivered the money at the time on deposit therein or the Holders of Bonds to be purchased therefrom as set forth in Section 5.07 hereof.

As provided in the Act, the Paying Agent, as sinking fund depository, shall return to the City all money deposited in the Sinking Fund for the payment of Bonds which have not been claimed by the Holders thereof after two years from the date when payment thereon was due,

except where such money is held for the payment of outstanding checks, or other instruments of the Paying Agent. Nothing herein, however, shall relieve the City of its liability to the Holders of unrepresented Bonds.

Section 4.07 Investment or Deposit of Funds.

(a) Sinking Fund. Moneys on deposit in the Sinking Fund shall be deposited, redeposited, invested and reinvested by the Paying Agent, as sinking fund depositary, at the direction of the City, all as provided in the Act. As provided in the Act, all such deposits and investments shall be in the name of the City, but money and investments in the Sinking Fund shall be subject to withdrawal and collection only by the Paying Agent, as sinking fund depositary, for proper purposes. Any investments of money in the Sinking Fund may be sold at any time by the Paying Agent, as sinking fund depositary if cash is required for expenditure, or as directed by the City, through any broker or dealer in securities. Income received from any deposit or investment of money in the Sinking Fund shall be a part of the fund or account invested and may be applied if so desired by the City in reduction of or to complete any required deposits in such fund or account.

(b) Letter of Credit Purchase Account. Money deposited in the Letter of Credit Purchase Account shall be held, uninvested, pending application and disbursement in accordance with the provisions of Section 5.07.

Section 4.08 Notification of Insufficient Funds. The Paying Agent shall, and the Holders may, immediately notify the Bank if there are insufficient funds in the Sinking Fund to make all regularly scheduled payments of principal of, and interest on, the Bonds when due or to reimburse the Bank for such payments. Such notice shall be provided in the manner required by the Reimbursement Agreement and the Letter of Credit.

SECTION 5: REDEMPTION AND TENDER OF BONDS

Section 5.01 Bonds Subject to Redemption.

(a) While the Bonds are in the Weekly Mode, the Bonds may be redeemed by the City, in whole at any time or in part on any Interest Payment Date, prior to maturity at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

(b) While the Bonds are in a Term Mode, the Bonds shall be subject to optional redemption prior to maturity by the City, only (i) in whole or in part on a Term Rate Period End Interest Payment Date at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date or (ii) prior to the end of the then current Term Rate Period in whole at any time or in part on any Interest Payment Date, provided that the Bonds shall not be redeemable during the No Call Period shown below, which shall begin on the first day of the current Term Rate Period. In each Term Rate Period, after the applicable No Call Period, the Bonds shall be redeemable at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

Term Rate Period

Equal to or Greater
Than

But Less Than

No Call Period

10 Years
5 Years
N/A

N/A
10 Years
5 Years

8 Years
5 Years
2 Years

In connection with any conversion to a Term Mode, the City may, by written stipulation delivered to the Paying Agent, the Remarketing Agent and the Bank, waive or otherwise alter its right to direct the optional redemption of the Bonds and any redemption premium that may become payable in connection therewith; provided that, at least 30 days (or such shorter period as shall be acceptable to the Paying Agent, the Remarketing Agent and the Bank) prior to the respective Conversion Date, there is delivered to the Paying Agent, the Remarketing Agent and the Bank (1) a notice from the City setting forth such waiver or alteration and (2) an opinion of Bond Counsel to the effect that such waiver or alteration is authorized or permitted under this Ordinance and the Act. Any such revisions of the redemption period and redemption price will not be considered an amendment of or a supplement to the Ordinance and will not require the consent of a Bondholder or any other person or entity.

The City may only call Bonds for optional redemption pursuant to this Subsection which would require a payment of a premium if (i) the Paying Agent can draw under the Letter of Credit moneys sufficient to pay such premium with respect to all Bonds other than any Purchased Bonds and (ii) the Bank has consented to such optional redemption.

If optional redemption at a redemption price exceeding 100% of the principal amount to be redeemed is to take place as of any applicable mandatory redemption date identified in Subsection 5.01(c), the Bonds, or portions thereof, to be so redeemed shall be selected pursuant to the provisions of Section 5.02 prior to the selection of the Bonds to be redeemed on the same date by operation of the mandatory redemption provisions of Subsection 5.01(c).

(c) The Bonds shall be subject to mandatory sinking fund redemption prior to stated maturity, on November 1 of the years and in the principal amounts set forth in the definitive Bonds as delivered to the Purchaser in accordance with the provisions hereof, as drawn

hereunder, upon payment of the redemption price equal to 100% of the principal amount thereof, together with accrued interest.

(d) Mandatory Redemption Upon Expiration of Letter of Credit Without

twelve 30-day months. As used in this Bond, the term "Interest Payment Date" means (i) with respect to Weekly Rate Interest, the first Business Day of each calendar month commencing October 1, 2008, and (ii) with respect to Term Rate Interest, each May 1 and November 1. Purchased Bonds shall bear interest at the rate set forth in the Reimbursement Agreement.

Weekly Rate. A Weekly Rate shall be determined for each Weekly Rate Period as described below. On each Weekly Rate Calculation Date, the Remarketing Agent under the Ordinance (the "Remarketing Agent"), initially Wachovia Bank, National Association, shall determine the Weekly Rate (for the Weekly Rate Period commencing on the next Thursday) as the rate which if borne by the Bonds would, in the judgment of the Remarketing Agent, taking

